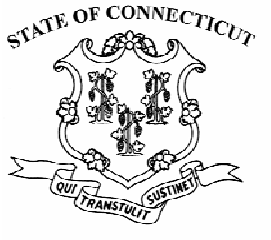

Senate Bill No. 907

Public Act No. 15-187

AN ACT CONCERNING CHANGES TO THE INSURANCE STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subdivisions (1) and (2) of subsection (b) of section 38a-397 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(b) (1) No seller shall offer or sell portable electronics insurance in this state without obtaining a portable electronics insurance license from the Insurance Commissioner as set forth in this subsection, except that a seller offering or selling portable electronics insurance in this state prior to October 1, 2014, may continue to offer or sell such insurance while the application from the Insurance Commissioner is pending and during the application process. Any such license issued by the commissioner shall be in force until January thirty-first of each even-numbered year unless sooner suspended or revoked.

(2) Such license shall authorize any employee or authorized representative of such seller to offer or sell portable electronics insurance at each location where the seller engages in portable electronics transactions. **[**(2)**]** No such employee or authorized representative shall be required to be licensed under chapter 701a,

provided:

(A) The seller obtains and maintains such portable electronics insurance license;

(B) The insurer issuing a portable electronics insurance policy to the seller or a supervising entity of such insurer supervises the administration of the seller's portable electronics insurance program; and

(C) No such employee or authorized representative holds himself or herself out as a licensed insurance producer.

Sec. 2. Subsection (b) of section 38a-712 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(b) If, upon investigation of a report concerning a failure to remit premiums, the commissioner determines that a producer has received premiums directly or indirectly from insureds and has failed to remit them to the proper company, its state agent or managing general agent, he may, following a hearing as specified in section 38a-774, suspend or revoke the license of the producer. Upon receipt of a report concerning a dishonored check or upon dishonor of **[**a check issued by**]** any check, draft or other remittance upon presentment of payment, from a producer to the Insurance Department, **[**of the state of Connecticut,**]** the commissioner shall notify the producer issuing such check, draft or other remittance of the report. If an arrangement for payment of such funds is not made to the satisfaction of the commissioner by the producer within fifteen days of receipt of such notice, the license of the producer shall be automatically suspended. Within sixty days of receipt of such notice the producer may make written demand upon the commissioner for a hearing to show cause why the suspension should be terminated. Such hearing shall be held

within thirty days from the date of receipt of the written demand. If by the end of the sixty-day demand period no hearing has been demanded, the license of the producer shall be revoked. The commissioner may institute procedures for the restoration of the licensee's insurance accounts to best protect the interests of all parties concerned.

Sec. 3. Section 38a-142 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(a) As used in this section:

(1) "Insurance group" means those insurers and affiliates included within an insurance holding company system, as defined in section 38a-129;

(2) "Insurer" includes any person or combination of persons doing any kind or form of insurance business and includes a receiver of any insurer when the context reasonably permits. "Insurer" does not include agencies, authorities or instrumentalities of the United States, its possessions and territories, the Commonwealth of Puerto Rico, the District of Columbia, or a state or political subdivision of a state;

(3) "NAIC" means the National Association of Insurance Commissioners;

(4) "ORSA" or "Own Risk and Solvency Assessment" means a confidential internal assessment conducted by an insurer or insurance group, appropriate to the nature, scale and complexity of such insurer or insurance group, of the material and relevant risks associated with the insurer or insurance group's current business plan and the sufficiency of capital resources to support those risks;

(5) "ORSA Guidance Manual" means the current version of NAIC's Own Risk and Solvency Assessment Guidance Manual, as amended

from time to time;

(6) "ORSA Summary Report" means a confidential high-level summary of an insurer or insurance group's ORSA;

(7) "Person" has the same meaning as provided in section 38a-1.

(b) (1) Each domestic insurer shall establish and maintain a risk management framework to assist the insurer with identifying, assessing, monitoring, managing and reporting on its material and relevant risks. This requirement may be satisfied if the insurance group of which such insurer is a member maintains a risk management framework applicable to the operations of such insurer.

(2) Each domestic insurer or the insurance group of which such insurer is a member shall regularly conduct an ORSA consistent with a process comparable to that set forth in the ORSA Guidance Manual. Any change in the ORSA Guidance Manual shall be effective January first following the calendar year in which such change was adopted by NAIC. The ORSA shall be conducted at least annually and at any time when there are significant changes to the risk profile of such insurer or insurance group.

(c) Commencing January 1, 2015, upon request by the Insurance Commissioner, and not more than once each year, a domestic insurer shall submit to the commissioner an ORSA Summary Report and any combination of reports that together contain the information described in the ORSA Guidance Manual that is applicable to such insurer and insurance group. The date of submission of such report or reports shall be dependent on when such insurer or insurance group conducts its internal strategic planning process. If the commissioner is the lead state commissioner, as determined by the procedures in NAIC's applicable financial analysis handbook, of the insurance group of which such insurer is a member, such insurer shall submit to the

commissioner the reports required under this subsection once each year regardless of whether the commissioner has requested such reports. A domestic insurer may comply with this subsection by providing the most recent and substantially similar reports that were provided by such insurer or another member of the insurance group of which such insurer is a member to the insurance regulatory official of another state or a foreign jurisdiction and that provide information that is comparable to the information described in the ORSA Guidance Manual. Any such report in a language other than English shall be accompanied by a translation of that report into the English language.

(d) Each domestic insurer or the insurance group of which such insurer is a member shall prepare an ORSA Summary Report consistent with the standards set forth in the ORSA Guidance Manual. Such insurer or insurance group shall maintain documentation and supporting information of an ORSA and shall make such documentation and information available for examination upon request by the commissioner. The commissioner or the commissioner's designee shall review the ORSA Summary Report and such documentation or information using procedures similar to those currently used in the analysis and examination of multistate or global insurers and insurance groups.

(e) The ORSA Summary Report shall include the signature of the domestic insurer's or insurance group's chief risk officer or other executive having responsibility for the oversight of the insurer's enterprise risk management process, attesting that, to the best of such officer's or executive's belief and knowledge, the insurer applied the enterprise risk management process described in the ORSA Summary Report and that a copy of the report has been provided to the insurer's board of directors or appropriate committee thereof.

(f) The commissioner, after notice and hearing, may impose a civil penalty on a domestic insurer that fails, without just cause, to timely

file an ORSA Summary Report, of one thousand dollars for each day the failure to file a report continues. The commissioner may reduce the penalty if the insurer demonstrates to the commissioner that the imposition of the penalty would constitute a financial hardship to the insurer.

(g) (1) A domestic insurer shall be exempt from the requirements of subsections (b) to (e), inclusive, of this section if (A) such insurer has annual direct written and unaffiliated assumed premiums, including international direct and assumed premiums but excluding premiums reinsured with the Federal Crop Insurance Corporation and the National Flood Insurance Program, of less than five hundred million dollars, and (B) the insurance group of which such insurer is a member has annual direct written and unaffiliated assumed premiums, including international direct and assumed premiums but excluding premiums reinsured with the Federal Crop Insurance Corporation and the National Flood Insurance Program of less than one billion dollars.

(2) If an insurer qualifies for an exemption pursuant to subparagraph (A) of subdivision (1) of this subsection but the insurance group of which such insurer is a member does not qualify for an exemption pursuant to subparagraph (B) of subdivision (1) of this subsection, the ORSA Summary Report shall include every insurer within such insurance group. This requirement may be satisfied by the submission of more than one ORSA Summary Report for any combination of insurers, provided such combination of reports includes every insurer within such insurance group.

(3) If an insurer does not qualify for an exemption pursuant to subparagraph (A) of subdivision (1) of this subsection but the insurance group of which such insurer is a member qualifies for an exemption pursuant to subparagraph (B) of subdivision (1) of this subsection, the only ORSA Summary Report required shall be the report applicable to such insurer.

(4) An insurer that does not qualify for an exemption pursuant to subparagraph (A) of subdivision (1) of this subsection may apply to the commissioner for a waiver from the requirements of subsections (b) to (e), inclusive, of this section, based on unique circumstances. In deciding whether to grant the insurer's request for a waiver, the commissioner may consider the type and volume of business written, ownership and organizational structure of the insurer and any other factors the commissioner considers relevant to the insurer or insurance group of which such insurer is a member. If the insurer is part of an insurance group with insurers domiciled in more than one state, the commissioner shall coordinate with the lead state commissioner, as determined by the procedures in NAIC's applicable financial analysis handbook, of such insurance group and with the other insurance regulatory officials of member insurers' states of domicile in considering whether to grant the insurer's request for a waiver.

(5) If an insurer that qualifies for an exemption pursuant to subdivision (1) of this subsection subsequently no longer qualifies for such exemption due to changes in premiums as reflected in the insurer's most recent annual statement or in the most recent annual statements of the insurers within the insurance group of which such insurer is a member, such insurer shall have one year following the year the threshold is exceeded to comply with the requirements of subsections (b) to (e), inclusive, of this section.

(6) Notwithstanding the exemptions in this subsection, the commissioner may require that a domestic insurer comply with the requirements of subsections (b) to (e), inclusive, of this section: (A) Based on unique circumstances including, but not limited to, the type and volume of business written, ownership and organizational structure of the insurer and requests from a federal agency or the insurance regulatory official of a foreign jurisdiction; or (B) if the insurer (i) has risk-based capital for a company action level event, as

set forth in sections 38a-72-1 to 38a-72-13, inclusive, and 38a-193-1 to 38a-193-13, inclusive, of the regulations of Connecticut state agencies, (ii) meets one or more of the standards of an insurer deemed to be in a hazardous financial condition, as set forth in section 38a-8-103 of the regulations of Connecticut state agencies, or (iii) otherwise exhibits qualities of a troubled insurer as determined by the commissioner.

(h) (1) All documents, materials or other information, including the ORSA Summary Report, in the possession or control of the Insurance Department that are obtained by, created by or disclosed to the commissioner or any other person pursuant to subsections (b) to (e), inclusive, or subsection (g) of this section shall be confidential by law and privileged, shall not be subject to disclosure under section 1-210, shall not be subject to subpoena and shall not be subject to discovery or admissible in evidence in any civil action in this state. The commissioner may use such documents, materials or information in the furtherance of any regulatory or legal action brought as a part of the commissioner's official duties. The commissioner shall not otherwise make such documents, materials or other information public without the prior written consent of the insurer.

(2) Neither the commissioner nor any person who, while acting under the authority of the commissioner, obtained or created documents, materials or other information pursuant to subsections (b) to (e), inclusive, or subsection (g) of this section, or to whom such documents, materials or other information were disclosed, through examination or otherwise, shall be permitted or required to testify in any civil action in this state concerning any such documents, materials or information.

(i) (1) To assist the commissioner in the performance of the commissioner's regulatory duties, the commissioner:

(A) May share upon request documents, materials or other

information set forth in subdivision (1) of subsection (h) of this section, including documents, materials or information deemed confidential and privileged or not disclosable pursuant to said subdivision, with (i) other state, federal and international regulatory officials, including members of a supervisory college as described in section 38a-135, (ii) NAIC, and (iii) any third-party consultants designated by the commissioner, provided the recipient of any such documents, materials or other information agrees, in writing, to maintain the confidentiality and privileged status of such documents, materials or other information and has verified, in writing, the recipient's legal authority to maintain confidentiality; **[**, and further provided the commissioner obtains the written consent of the insurer prior to sharing any such documents, materials or other information;**]**

(B) May receive ORSA-related documents, materials or other information, including documents, materials or information deemed confidential and privileged, from regulatory officials of other states or foreign jurisdictions, including members of a supervisory college as described in section 38a-135, and NAIC. The commissioner shall maintain as confidential and privileged any documents, materials or information received with notice or the understanding that such documents, materials or information are confidential and privileged under the laws of the jurisdiction that is the source of such documents, materials or information; and

(C) Shall enter into a written agreement with NAIC or a third-party consultant, governing the sharing and use of documents, materials and information shared or received pursuant to subparagraph (A) or (B) of this subdivision. Any such agreement shall (i) specify policies and procedures regarding the confidentiality and security of such documents, materials or other information that are shared with NAIC or a third-party consultant, including (I) procedures and protocols limiting sharing by NAIC to only regulatory officials of states in which

other member insurers of the insurance group of which a domestic insurer is a member are domiciled, and (II) a provision requiring NAIC or a third-party consultant to agree, in writing, and if applicable, a provision requiring NAIC to obtain from a regulatory official under subparagraph (C)(i)(I) of this subdivision an agreement, in writing, to maintain the confidentiality and privileged status of such documents, materials or other information, and verifying the recipient's legal authority to maintain confidentiality; (ii) specify that the commissioner shall retain ownership of such documents, materials or other information and that the use of such documents, materials or other information is subject to the commissioner's discretion; (iii) prohibit NAIC or the third-party consultant from storing such documents, materials or other information in a permanent database after the underlying analysis is completed; (iv) require prompt notice to be given to an insurer whose confidential information is in the possession of NAIC or a third-party consultant if NAIC or the third-party consultant is subject to a request or subpoena for disclosure or production of such documents, materials or other information; **[**and**]** (v) require NAIC or the third-party consultant, if NAIC or such consultant is subject to disclosure of an insurer's confidential documents, materials or other information that has been shared with NAIC or such consultant pursuant to subparagraph (A) of this subdivision, to allow such insurer to intervene in any judicial or administrative action regarding such disclosure; and (vi) in the case of an agreement with a third-party consultant, require the commissioner to obtain the written consent of the insurer prior to sharing any such documents, materials and information.

(2) No waiver of any applicable privilege or claim of confidentiality in any documents, materials or other information thereof shall occur as a result of disclosure to the commissioner or of sharing in accordance with this subsection. Nothing in this subsection shall be construed to delegate any regulatory authority of the commissioner to any person

or entity with which any documents, materials or other information thereof have been shared.

(3) The ORSA Summary Report and any related documents, materials or other information thereof in the possession or control of NAIC or a third-party consultant pursuant to this subsection shall be confidential by law and privileged, shall not be subject to disclosure under section 1-210, shall not be subject to subpoena and shall not be subject to discovery or admissible in evidence in any civil action in this state.

Sec. 4. Subsection (a) of section 38a-11 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(a) The commissioner shall demand and receive the following fees: (1) For the annual fee for each license issued to a domestic insurance company, two hundred dollars; (2) for receiving and filing annual reports of domestic insurance companies, fifty dollars; (3) for filing all documents prerequisite to the issuance of a license to an insurance company, two hundred twenty dollars, except that the fee for such filings by any health care center, as defined in section 38a-175, shall be one thousand three hundred fifty dollars; (4) for filing any additional paper required by law, thirty dollars; (5) for each certificate of valuation, organization, reciprocity or compliance, forty dollars; (6) for each certified copy of a license to a company, forty dollars; (7) for each certified copy of a report or certificate of condition of a company to be filed in any other state, forty dollars; (8) for amending a certificate of authority, two hundred dollars; (9) for each license issued to a rating organization, two hundred dollars. In addition, insurance companies shall pay any fees imposed under section 12-211; (10) a filing fee of fifty dollars for each initial application for a license made pursuant to section 38a-769; (11) with respect to insurance agents' appointments: (A) A filing fee of fifty dollars for each request for any agent

appointment, except that no filing fee shall be payable for a request for agent appointment by an insurance company domiciled in a state or foreign country which does not require any filing fee for a request for agent appointment for a Connecticut insurance company; (B) a fee of one hundred dollars for each appointment issued to an agent of a domestic insurance company or for each appointment continued; and (C) a fee of eighty dollars for each appointment issued to an agent of any other insurance company or for each appointment continued, except that (i) no fee shall be payable for an appointment issued to an agent of an insurance company domiciled in a state or foreign country which does not require any fee for an appointment issued to an agent of a Connecticut insurance company, and (ii) the fee shall be twenty dollars for each appointment issued or continued to an agent of an insurance company domiciled in a state or foreign country with a premium tax rate below Connecticut's premium tax rate; (12) with respect to insurance producers: (A) An examination fee of fifteen dollars for each examination taken, except when a testing service is used, the testing service shall pay a fee of fifteen dollars to the commissioner for each examination taken by an applicant; (B) a fee of eighty dollars for each license issued; (C) a fee of eighty dollars per year, or any portion thereof, for each license renewed; and (D) a fee of eighty dollars for any license renewed under the transitional process established in section 38a-784; (13) with respect to public adjusters: (A) An examination fee of fifteen dollars for each examination taken, except when a testing service is used, the testing service shall pay a fee of fifteen dollars to the commissioner for each examination taken by an applicant; and (B) a fee of two hundred fifty dollars for each license issued or renewed; (14) with respect to casualty claims adjusters: (A) An examination fee of twenty dollars for each examination taken, except when a testing service is used, the testing service shall pay a fee of twenty dollars to the commissioner for each examination taken by an applicant; (B) a fee of eighty dollars for each license issued or renewed; and (C) the expense of any examination administered

outside the state shall be the responsibility of the entity making the request and such entity shall pay to the commissioner two hundred dollars for such examination and the actual traveling expenses of the examination administrator to administer such examination; (15) with respect to motor vehicle physical damage appraisers: (A) An examination fee of eighty dollars for each examination taken, except when a testing service is used, the testing service shall pay a fee of eighty dollars to the commissioner for each examination taken by an applicant; (B) a fee of eighty dollars for each license issued or renewed; and (C) the expense of any examination administered outside the state shall be the responsibility of the entity making the request and such entity shall pay to the commissioner two hundred dollars for such examination and the actual traveling expenses of the examination administrator to administer such examination; (16) with respect to certified insurance consultants: (A) An examination fee of twenty-six dollars for each examination taken, except when a testing service is used, the testing service shall pay a fee of twenty-six dollars to the commissioner for each examination taken by an applicant; (B) a fee of two hundred fifty dollars for each license issued; and (C) a fee of two hundred fifty dollars for each license renewed; (17) with respect to surplus lines brokers: (A) An examination fee of twenty dollars for each examination taken, except when a testing service is used, the testing service shall pay a fee of twenty dollars to the commissioner for each examination taken by an applicant; and (B) a fee of six hundred twenty-five dollars for each license issued or renewed; (18) with respect to fraternal agents, a fee of eighty dollars for each license issued or renewed; (19) a fee of twenty-six dollars for each license certificate requested, whether or not a license has been issued; (20) with respect to domestic and foreign benefit societies shall pay: (A) For service of process, fifty dollars for each person or insurer to be served; (B) for filing a certified copy of its charter or articles of association, fifteen dollars; (C) for filing the annual report, twenty dollars; and (D) for filing any additional paper required by law, fifteen dollars; (21)

with respect to foreign benefit societies: (A) For each certificate of organization or compliance, fifteen dollars; (B) for each certified copy of permit, fifteen dollars; and (C) for each copy of a report or certificate of condition of a society to be filed in any other state, fifteen dollars; (22) with respect to reinsurance intermediaries, a fee of six hundred twenty-five dollars for each license issued or renewed; (23) with respect to life settlement providers: (A) A filing fee of twenty-six dollars for each initial application for a license made pursuant to section 38a-465a; and (B) a fee of forty dollars for each license issued or renewed; (24) with respect to life settlement brokers: (A) A filing fee of twenty-six dollars for each initial application for a license made pursuant to section 38a-465a; and (B) a fee of forty dollars for each license issued or renewed; (25) with respect to preferred provider networks, a fee of two thousand seven hundred fifty dollars for each license issued or renewed; (26) with respect to rental companies, as defined in section 38a-799, a fee of eighty dollars for each permit issued or renewed; (27) with respect to medical discount plan organizations licensed under section 38a-479rr, a fee of six hundred twenty-five dollars for each license issued or renewed; (28) with respect to pharmacy benefits managers, an application fee of one hundred dollars for each registration issued or renewed; (29) with respect to captive insurance companies, as defined in section 38a-91aa, a fee of three hundred seventy-five dollars for each license issued or renewed; (30) with respect to each duplicate license issued a fee of fifty dollars for each license issued; (31) with respect to surety bail bond agents, as defined in section 38a-660, (A) a filing fee of one hundred fifty dollars for each initial application for a license, and (B) a fee of one hundred dollars for each license issued or renewed; (32) with respect to third-party administrators, as defined in section 38a-720, (A) a fee of five hundred dollars for each license issued, and (B) a fee of **[**three**]** four hundred fifty dollars for each license renewed; **[**, and (C) a fee of one hundred dollars for each annual report filed pursuant to section 38a-720*l*;**]** and (33) with respect to portable electronics insurance

licenses under section 38a-397, as amended by this act, (A) a filing fee of one hundred dollars for each initial application for a license, (B) a fee of five hundred dollars for each license issued, and (C) a fee of four hundred fifty dollars for each license renewed.

Sec. 5. Section 38a-720*l* of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(a) Each third-party administrator **[**licensed under**]** seeking to renew a license issued pursuant to section 38a-720j, as amended by this act, shall **[**file an annual report for the preceding calendar year with the commissioner on or before July first of each year or within such extension of time as the commissioner may grant for good cause. The annual report shall be**]** submit a renewal filing in the form and contain such information as the commissioner prescribes, including evidence that the surety bond required under subdivision (1) of subsection (a) of section 38a-720j and, if applicable, subsection (h) of section 38a-720j, remain in force. The information contained in such report shall be verified by at least two officers of the third-party administrator.

(b) The **[**annual report**]** renewal filing shall include the complete names and addresses of all insurers or other persons with which the third-party administrator had written agreements during the preceding fiscal year.

[(c) At the time of filing the annual report, the third-party administrator shall pay a filing fee as specified in section 38a-11.

(d) The commissioner shall review the most recently filed annual report of each third-party administrator on or before September first of each year. Upon completion of its review, the commissioner shall: (1) Issue a certification to the third-party administrator that the annual report shows the third-party administrator is currently licensed and in good standing, or noting any deficiencies found in such annual report;

or (2) update any electronic database maintained by the National Association of Insurance Commissioners, its affiliates or subsidiaries, indicating that the annual report shows the third-party administrator is compliant with existing law, or noting any deficiencies found in such annual report.**]**

Sec. 6. Subsection (f) of section 38a-720j of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(f) Any license issued to a third-party administrator shall be in force until September thirtieth of each year, unless sooner revoked or suspended as provided in this section. The license may be renewed, at the discretion of the commissioner, upon payment of the fee specified in section 38a-11, **[**without the resubmission of the detailed information required in the original application**]** as amended by this act, and the renewal filing under section 38a-720*l*, as amended by this act.

Approved July 2, 2015